MULTIMEDIA UNIVERSITY®

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 3, 2016/2017

ULE2612 – LAW AND ECONOMICS

(All Sections / Groups)

31 May 2017
Reading Time : 2.30 p.m. – 2.45 p.m.
(15 Minutes)
Answering Time: 2.45 p.m. – 5.45 p.m.
(3 Hours)

INSTRUCTIONS TO STUDENT

1. Students will have **fifteen minutes** during which they may read the paper and make rough notes ONLY in their question paper. Students then have the remaining **THREE HOURS** in which to answer the questions.

2. This Question paper consists of 3 pages with 4 questions only.

3. Attempt **ALL** questions. All questions carry equal marks and the distribution of the marks for each question is given.

4. Students are not allowed to bring in any statute into the examination hall.

5. Please write all your answers in the answer booklet provided.

QUESTION 1

Answer either part (a) or part (b) only:

(a)(i) Explain the four characteristics of indifference curves.

(3 marks x 4 = 12 marks)

(ii) Henrietta suffered a broken arm in an accident caused by Tomas. As a result, Henrietta had to be hospitalised for two weeks at a cost of RM10,000. She also suffered inconveniences from her broken arm for three months.

Using the concept of an indifference curve, explain how Henrietta should be compensated under the principle of *restitutio in integrum.*

(13 marks)

(Total: 25 marks)

~~~~~~~~~~ OR ~~~~~~~~~~

(b) Section 14(2) of the Price Control and Anti-Profiteering Act 2011 defines profiteering as "making profit unreasonably high". Subsection (1) further makes it an offence for a person "who, in the course of trade or business, profiteers in selling or offering to sell or supplying or offering to supply any goods or services".

A detailed mathematical formula for determining unreasonably high profit under the Act is given in Price Control and Anti-Profiteering (Mechanism to Determine Unreasonably High Profit for Goods) Regulations 2016. Under the same regulations, only food and beverages, and non-durable household goods are currently regulated by this anti-profiteering provision.

With the help of one or more suitable diagrams, provide an economic critic of this anti-profiteering provision.

(Total: 25 marks)

Continued ...
~~~~~~~~~~

QUESTION 2

(a) Define the positive Coase Theorem.

(5 marks)

(b) Explain the differences between the normative Coase Theorem and the Hobbes Theorem, and identify the difficulties relating to implementing each of the two.

(8 marks)

(c) The Malaysian Land Acquisition Act 1960 confers upon a state authority the power to acquire a piece of land from a private owner without bargaining but with compensation "for any public purpose" or "for any purpose which is beneficial to the economic development of Malaysia and any part thereof or to the public generally or any class of the public."

Last year, the Malaysian government has announced a plan to build a high speed rail service from Kuala Lumpur to Singapore.

With reference to a suitable law and economic theory, explain why the Malaysian government would need to rely on the Land Acquisition Act 1960 to proceed with the high speed rail project.

(12 marks)

(Total: 25 marks)

QUESTION 3

Global warming due to trans-boundary greenhouse gas emission is one of present threats of the world.

In order to alleviate this threat, discuss how carbon dioxide emissions can be reduced using a system of taxation and carbon trading both at the local and global levels.

(Total: 25 marks)

Continued ...

QUESTION 4

(a) With the help of a suitable diagram, describe the formation of "the market for lemons".

(10 marks)

(b) It is said that the prohibition on advertising and the fixing of remuneration rates for non-contentious work in the Malaysian legal profession are to prevent severe price competition which may affect the quality of the services provided.

Critically analyse whether the above claim accords with the theory of the market for lemons.

(15 marks)

(Total: 25 marks)

End of Page